



STATE OF CONNECTICUT
TEACHERS' RETIREMENT BOARD
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QUALIFYING SERVICE

Perhaps you are planning to retire in the near future but do not have sufficient credited service to receive an immediate retirement benefit. You also have some additional service credit, which if purchased, would allow you to begin receiving a retirement benefit. This type of service is generally referred to as **"qualifying service"**.

Let's take a look at an example of how qualifying service works.

Member X is 53 years old and has 23 years of credited service and wishes to retire. With only 23 years of service, this member is **not** eligible for an immediate benefit but could begin receiving an early retirement benefit at age 55. Let's assume that this member has an average salary base of \$60,000 and 2 years of out-of-state public school teaching service that, if purchased, would qualify him for an immediate early retirement benefit.

First, we start by determining the monthly Plan N (Normal Allowance) benefit this member would be eligible to receive beginning at age 55 based on 23 years of actual credited service.

$$\$60,000 \times 32.2\% = \$19,320.00 / 12 = \$1,610.00 \text{ monthly (Plan N) at age 55.}$$

Next, we determine the monthly Plan N (Normal Allowance) benefit this member would be eligible to receive at age 53 by purchasing two years of qualifying service credit.

$$\$60,000 \times 31.1\% = \$18,600.00 / 12 = \$1,550.00 \text{ monthly (Plan N) at age 53.}$$

At first glance, it appears that the benefit payable at age 55 (\$1,610.00) is actually greater than the benefit payable at age 53 (\$1,550.00). Keep in mind, however, that this member would have to wait for two years to begin collecting a pension benefit from this system. By purchasing 2 years of qualifying service credit, this member would have received approximately \$37,200.00 in benefits from age 53 to age 55 plus any cost of living increases granted during that period.

An illustration of the estimated cost of Member X's qualifying service appears on page 2 of this bulletin.

If you are considering purchasing qualifying service, be sure to refer to your most recent Member Annual Statement and/or Summary of Benefits to for specific information on retirement eligibility requirements. All additional service credit must be documented prior to your effective date of retirement in order to be purchasable.

We recommend that you contact this office in writing for further assistance.

STEP 1:

To determine the cost of Member X's qualifying service, we must first compare the **present value** of the benefit which would begin at age 55 with the benefit that would begin at age 53 using the present value factor from **Table A**.

TABLE A - FACTORS FOR DETERMINING THE PRESENT VALUE OF A BENEFIT

Number of Years Earlier	Present Value Factor
1 year	87.41%
2 years	76.54%
3 years	67.12%
4 years	58.95%
5 years	51.85%
6 years	45.66%
7 years	40.27%
8 years	35.55%
9 years	31.42%
10 years	27.80%

Use the nearest year for purposes of an estimate.

Benefit payable at age 55	\$1,610.00
Multiply factor from Table A (2 years)	X 76.54%
Present value of benefit	\$1,232.29 monthly (Plan N)

STEP 2:

The cost of Member X's additional credit is calculated by subtracting the present value of the benefit without additional service credit (\$1,232.29) from the benefit with the purchase of additional credit payable at age 53 (\$1,550.00). The difference (\$317.71) is then divided by 10 and multiplied by the age factor from **Table B**.

TABLE B - AGE COST FACTORS FOR THE PURCHASE OF ADDITIONAL CREDIT

Age at Retirement	Cost per \$10 of monthly income
51	643
52	637
53	632
54	625
55	619
56	612
57	604
58	596
59	588
60	580
61	571
62	562
63	552
64	542
65	531
66	521
67	510
68	498
69	486
70	474

This table is for planning purposes and is subject to change.

Present value difference in benefits	\$ 317.71
Divide by 10	/10 = 31.77
Multiply factor Table B (Age 53)	X 632
Estimated Member Cost of Service	\$20,078.64